

NEW YORK HERALD

BROADWAY AND ANN STREET.

JAMES GORDON BENNETT, PROPRIETOR.

Volume XXXVII.—No. 24

AMUSEMENTS THIS AFTERNOON AND EVENING.

ALHAMBRA THEATRE, No. 70 Broadway.—Luna

GRAND OPERA HOUSE, corner of 5th and 6th sts.—

EUROPEAN THEATRE, Twenty-fourth street.—

WOOD'S MUSIC, Broadway, corner 35th st.—

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TRIPLE SHEET.

New York, Wednesday, January 24, 1872.

CONTENTS OF TO-DAY'S HERALD.

1.—Advertisements.

2.—Advertisements.

3.—Washington: Clapp's Debate on the Amnesty

Bill in the Senate; The Yellowstone Land

on the Appropriations; A Cabinet Wedding;

Secretary Johnson Married to Mrs. Alice;

Mrs. Whitson; The Current Events and

the Case Closed; The Medical Testimony for the

Defence Unmercifully Handled; An Urgent

Appeal for Conviction; The Jury Not Arrived

at a Verdict—Wife Murder and Suicide in

Manchester, N. H.—Latest from Albany—The

Committee of Seventy House Committee

4.—The State Capital: A Quiet Day After the

Struggle; The Committee of Seventy's

Character; Legislating the Police Justices Out

of Office; The Columbia College Trustees in

the Senate; Amending the City Charter; A Bill

to Confer on the Attorney General Power to

Seize on and Examine Books of Corporations—

The Custom House Committee

Another Day's Examination of Custom

House Officials; More Complaints of Extortion—

The Hangar of the Atlantic Ocean; The

Transatlantic Steam Voyage on Record; The

Steamer Thirty-two Days from Glasgow to

New York—Miscellaneous Telegrams—De La

Salle Association.

5.—Congress: The Appropriation Bill Amended

in the Senate; The Great Grey Land; An

Immense National Park on the Yellowstone

River; Continued Debate on the Amnesty

Bill; The Public Lands for Public Schools;

The Legislative Executive and Judicial

Appropriation Bill On Its Passage; Changes in

the Mining Law—The Tobacco Tax—The Risk

Traded; The London Press on the Assassination

of the Shaky Savages Banks—Gushing

ill Wells—Mexican Annexations—Russia in

specifying American Institutions.

6.—Editorial: Leading Article, "The Syndicate—

Mr. Boutwell's Experiments with Finance—

The Dangers We Have Escaped and How to

Avoid Them."—Announcement.

7.—Editorial: Continued from Sixth Page.—The

French War Debt: Immediate Payment of

Three Thousand Five Hundred Millions to

Germany; The Rothschilds and Other Bankers

to Supply the Money—Cable Telegrams

from England, France and the United States.

8.—News from Africa: Venezuela, Cuba, St.

domingo and Haiti—The War in Mexico—

Cataluña's Case: Text of the Note of Prince

Portuguese to Minister Curtiss—The Japanese

Embassy: Banquet in San Francisco; The

Future Policy of Japan Foreshadowed by

Governor Ho—The Japan and the Japanese

Greetings by Wire from the Japanese in San

Francisco and Cordial Replies from the Presi-

dent, Secretary of State, Treasury and

Others—Miscellaneous Telegrams—Business

Notes.

9.—The Courts: Interesting Proceedings in the

United States: New York and Brooklyn

Courts; The Estate of Madame Jumel Again in

Court; The Westfield Disaster—Judge Bedle's

Charge; Ferretting Out the Mystery of the

France—Ex-Comptroller Connolly—Another

Character: The Citizens' Association on the

Lookout—Molestation of a Woman—The

King County Politics—Weir's Mis-

take—The Den Keepers at the Tombs—Nai

Britt—The Pennsylvania Central Railroad.

10.—Bills and Resolutions: A Bill to Amend

A Bad Woman's Work—Railroad Accident—

The Smallpox: The President's Speech—

Obituaries—Fatal Fall from a Wagon—The

renowned Bank Robbery—Grand Army of the

Republic—Financial and Commercial Re-

ports—Domestic and European News—Mar-

riages and Deaths—Advertisements.

11.—Answering Advertisements: Another "Com-

plete Letter to the Editor" Cautioned a Lot of

Criminal Correspondence Suddenly Stopped

by the Detectives; Protecting the Herald's An-

nonouncement from Fish; Treasurer of Alexander

J. Howell—Miscellaneous Telegrams—Ship-

ping Intelligence—Advertisements.

12.—Advertisements.

13.—Advertisements.

14.—Advertisements.

15.—Advertisements.

The Syndicate—Mr. Boutwell's Experiments with Finance—The Dangers We Have Escaped and How to Avoid Them.

At last we know all about the famous Syndicate! Now let us see what we actually do know. For months we have been groping in the dark, the air misty with scandals and suspicious and unpleasant rumors. What we knew was that a great government had been compelled to open a money broker's shop on Lombard street, and beg all the world to buy its bonds. We have feared that a clearly printed law was inadequate to the process of funding the nation's obligations. We have seen a hapless and sorely-troubled Secretary in the meshes of his own timidity calling upon stock brokers and money lenders to rescue him, and with him an administration which rested its hopes of popular endorsement upon its financial success, from what seemed to be inevitable failure. We have had the Treasury ignore the banking interests of the country and the mighty banking houses of the Old World to give one house (then at the outset of a business experiment in London) an unusual and offensive predominance. We have had what the echoes of the Treasury called "success," but what our best information and judgment compelled us to regard as a failure.

Nor do we see in the report of the Committee of Ways and Means, nor in the evidence of Mr. Boutwell, upon which that report is based, any reasons for arriving at a different conclusion. Our latest experience with the masters of the Syndicate shows to what expedients they have been driven to reconcile public opinion with their operations. We saw what is a frequent occurrence in Wall street. When an anxious customer broker either buys or sells "short" a hundred shares of a railway stock he straightway seeks the newspapers and asks them to publish to the world that the said railway is either about to fail or to declare a dividend, or to throw out some ingenious phrase calculated to make other people think so, and buy from him at a profit. What we saw with the masters of the Syndicate was precisely this contrivance. From London, from Philadelphia, from Washington, the telegraph wires were bidden to say, and the press reporters to confirm the saying, that Mr. Cooke had finally brought himself into alliance with the great house of Rothschild, and that together they were about to buy \$500,000,000 of the new bonds. Of course, Mr. Cooke's advertising agents did not really say this in so many words, but they said it in such a way as to produce this impression. But for the HERALD the country would be under this belief and the merchants of the money market would stand expecting to see the two houses step up to the Treasury and take the loans. Mr. Cooke, in the confession which we extorted from him, admitted that what he wanted was to buy fifty or a hundred millions this year, and then, if we amended our laws so as to suit the exigencies of his foreign business, he might, the Rothschilds assenting, take the remainder at the close of another year. Always provided that he had as good a bargain as the present Syndicate gave him.

We dwell upon this because it is an illustration of the whole Syndicate business. Bargain and dicker and trade, any expedient so the bonds were sold! All that the masters of the Syndicate wanted was commissions, and the more they could squeeze the Secretary the more profit to their business. And of all squeezeable Secretaries commend us to Mr. Boutwell! Let us look at one instance. The law provided that the cost of negotiating the loan should not be more than one-half of one per cent. The meaning of this certainly was that if the Secretary sold \$100,000,000 he might expend \$500,000 in commissions. If he sold \$500,000,000 he might expend \$2,500,000. Now, Mr. Boutwell contends that if he could negotiate \$400,000,000 without paying anything for commissions he would be justified in spending the two and a half millions allowed by law for the whole sum in negotiating the other hundred millions. This is so absurd, so thoroughly at variance with the true meaning of the law, that it seems incredible. And yet this power Mr. Boutwell claimed and exercised, and proposes to claim and exercise, unless Congress expressly interfere. Well, when a minister of the Treasury gets into this frame of mind, especially when he is in the hands of a grasping Syndicate yearning for commissions, anything is possible. So we are not surprised when he admits that he permitted \$130,000,000 of the public money to remain with the national banks for three months without any security, that they might enjoy the interest. Nor are we amazed when he calmly alleges that for three months he increased the public debt \$130,000,000 or \$135,000,000, and that in addition to paying one-half of one per cent commission upon any amount less than \$600,000,000, he permitted the banks to receive this three months' interest. Here were several specific violations of law. And what was the gain? Were the houses forming this Syndicate strong enough, or had they inherent capital to dictate terms to the Secretary? Were the men with whom he made this extraordinary compact among those great money kings of Europe who can make peace or war in their counting houses. On the contrary, the Syndicate was little more than a Syndicate of brokers. We say nothing against these gentlemen's respectability, their solvency, their enterprise, their sincere desire to meet every engagement. But were they the houses who could have taken this loan and put it away in their vaults, and held it there for a year, or even for a month, in the face of an uneasy money market, a war or a sudden financial panic? Mr. Boutwell knows very well that his Syndicate would have dissolved in a day—had it been compelled to carry this new loan and hold it. It could only succeed so long as the public purchased the bonds. It was a Syndicate of brokers. Its members received the bonds from the Secretary and handed them over to whoever called for them. So long as investors called there was success. The Syndicate took the commissions and the interest. Mr. Cooke's house received great renown as the inspiration of a brilliant financial achievement. There was no risk, no responsibility—simply a profitable dicker on the part of shrewd brokers, who had taken the Secretary at an advantage and held him to it.

Now, if this Syndicate had been inherently strong; if the houses who composed it had

been among those mighty houses of the world whose own resources would have enabled them to have taken this loan and carried it in spite of the stormiest financial weather; if it had been a Syndicate of bankers like Rothschilds or Barings, or Hope, and not simply brokers anxious to found a great banking business, we could understand how the Secretary would have stretched the law to its utmost tension to have completed the negotiations. But he never really completed them. He was dealing with men who could only succeed by the earnestness of private investors and our own national banks. He was never for a moment safe. The least disturbance in Europe, trouble with Spain or any one of twenty of the causes which unsettle the finances of nations, would have thrown his bonds back to him and he would have been on his knees before Congress to forgive him his commissions. This, to our mind, is a far graver view than even the increase of the debt, or the deposit of \$130,000,000 of the public money in national banks without security. And now that his good fortune has saved him from this danger, we must protest against any future negotiations which may make danger inevitable. Mr. Boutwell cannot make these experiments with the credit of the United States. President Grant cannot afford to have his administration wrecked (as wrecked it would surely be) by making absolute bargains and paying great sums of money in advance to shrewd brokers, and giving exclusive privileges to a Syndicate who would not and could not hold the loan twenty-four hours in the event of a financial panic. If he has these advantages to bestow, let him throw them open to the world. We have a thousand bankers, or rather brokers, who can take his bonds and sell them and pocket the commissions, provided in the event of failure they could throw them back to the Treasury. And, what is more, the right to these advantages belongs to every banker and broker as much as to Mr. Cooke and the masters of the enterprising Syndicate.

The